

Message Text

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PAGE 01 LONDON 09956 01 OF 02 051734Z

44

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOTE-00 INR-11 NSAE-00 RSC-01 FAA-00 PM-07 H-03 L-03

NSC-07 PA-04 PRS-01 SP-03 SS-20 USIA-15 OMB-01 CIEP-03

DRC-01 IO-14 OIC-04 /144 W
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R 051724Z AUG 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 2773

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 09956

E.O. 11652: GDS

TAGS: ETRN, UK

SUBJ: CIVAIR - INFORMAL US/UK AVIATION TALKS

REF: LONDON 8908

1. ON JULY 31 AND AUGUST 1 US AND UK REPRESENTATIVES MET IN LONDON FOR INFORMAL EXCHANGE OF VIEWS CONCERNING AVIATION PROBLEMS IN NORTH ATLANTIC MARKET. DISCUSSION WAS OF A GENERAL NATURE AND NO AGREEMENTS WERE EITHER SOUGHT OR OBTAINED. FOLLOWING POINTS WERE DISCUSSED:
A. FARES - BRITISH SUGGESTED THAT IT MAY BE NECESSARY FOR GOVERNMENTS TO MEET LATER IN THE YEAR CONCERNING FARES. BRITISH SAID THEY ASSUMED CAB MIGHT TAKE IATA FARE AGREEMENT SUCH AS TENTATIVELY REACHED AT FORT LAUDERDALE, KNOCK OUT ITS AFFINITY GROUP FARE, YOUTH FARE AND PERHAPS EXCURSION FARE, AND THEN ACCEPT REMAINDER OF FARES PACKAGE. IF THEIR ASSUMPTION CORRECT, BRITISH WANT US TO KNOW THAT THEY ARE PREPARED TO GO ALONG WITH CAB LINE OF APPROACH AND THAT THEY WOULD TRY TO BE HELPFUL IN OVERCOMING OBJECTIONS TO CAB REACTION ON

PART OF OTHER EUROPEAN GOVERNMENTS. BRITISH MADE CLEAR, HOWEVER, THAT THEY NOT PREPARED TO TACKLE IATA FARES
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PAGE 02 LONDON 09956 01 OF 02 051734Z

AGREEMENT WITHOUT US SUPPORT.

B. CAPACITY - BRITISH EXPECT LITTLE OR NO GROWTH IN NORTH ATLANTIC TRAFFIC NEXT YEAR AND BELIEVE IT MAY BE NECESSARY FOR GOVERNMENTS TO TAKE ACTION TO CONTROL CAPACITY. IN BRITISH VIEW, IF SCHEDULED SERVICE FARES AND CHARTER FLOOR PRICES ARE AGREED AND IF SCHEDULED AIRLINES REACH AGREEMENT AMONG THEMSELVES ON A REDUCED LEVEL OF SCHEDULED SERVICES, THERE WILL BE ADDITIONAL EQUIPMENT RELEASED TO COMPETE IN CHARTER MARKET. UNLESS THIS EXCESS CAPACITY IN CHARTER MARKET IS CONTROLLED OR LIMITED, THE CHARTER FLOOR PRICE AGREEMENT WILL BREAK DOWN. BRITISH INDICATED THEY WOULD LIKE TO REACH AGREEMENT WITH US ON CAPACITY CONTROL BUT THEY HINTED IF THIS NOT POSSIBLE, THEY MIGHT TAKE UNILATERAL ACTION TO CONTROL CHARTER CAPACITY AND THEY HOPED US WOULD UNDERSTAND REASONS FOR SUCH ACTION AND NOT OBJECT TOO STRENUOUSLY. ON AUGUST 1, US AND UK REPS REVIEWED INCONCLUSIVE RESULTS OF INTER-CARRIER DISCUSSIONS ON CAPACITY RATIONALIZATION THAT HAD BEEN HELD IN LONDON ON THE PREVIOUS DAY. BOTH SIDES EXPRESSED DISAPPOINTMENT THAT AGREEMENT NOT REACHED. BRITISH NOTED THAT CARRIERS WERE TO RECONVENE IN NEW YORK ON AUGUST 7 BUT THEY SAID IF NO PROGRESS MADE, THEY MIGHT CALL FOR INTERGOVERNMENT CONSULTATION.

C. ALL CARGO SERVICE - BRITISH SAID THEY UNDERSTAND BOTH SEABOARD AND PANAM PLANNED TO INTRODUCE ALL CARGO 747 SERVICE IN LONDON/PARIS MARKET IN NEAR FUTURE. IF THIS TRUE, BRITISH AIRWAYS (BA) WOULD REGARD SUCH SERVICES AS "SWAMPING" THE ALL CARGO MARKET SINCE IT WOULD REDUCE BA'S SHARE OF ALL CARGO SERVICE TO ABOUT 15 PERCENT. NEITHER US NOR UK REPS HAD FACTS AT HAND FOR DISCUSSION OF CARGO MARKET DURING CURRENT TALKS BUT BRITISH SAID THEY MIGHT WANT TO RAISE PROBLEM WITH US AT LATER TIME. BRITISH INDICATED
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PAGE 01 LONDON 09956 02 OF 02 051733Z

44

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 09956

THAT OBJECTIONS THEY HAD RAISED CONCERNING SEABOARD SCHEDULES (LONDON 9389) WERE TECHNICAL IN NATURE AND NOT RELATED TO THEIR CONCERNS REGARDING CAPACITY. AT SEABOARD'S REQUEST, WE DID NOT PRESS BRITISH FOR ANSWER ON WHETHER UK OBJECTIONS HAD BEEN OVERCOME BY EXPLANATION CONCERNING FLIGHT NUMBER CHANGES (PARA 4 LONDON 9389), BUT WE CAME AWAY FROM MEETING WITH IMPRESSION THAT BRITISH WOULD ALLOW SEABOARD'S NEW SCHEDULE OF SERVICES TO OPERATE.

D. TRANS-ATLANTIC CERTIFICATE RENEWAL CASE (TACRC) - BRITISH ASKED HOW THEY MIGHT MAKE UKG VIEWS KNOWN ON DESIRED OUTCOME OF TACRC. US REPS EXPLAINED ADMINISTRATIVE PROCEDURES OF TACRC AND TOLD UK SIDE THAT THERE HAD BEEN OPPORTUNITY FOR UK TO PRESENT VIEWS WHILE CASE WAS BEING HEARD BY CAB ADMINISTRATIVE LAW JUDGE. SINCE THIS OPPORTUNITY NOW PAST, ALL UKG COULD DO WOULD BE TO OFFER VIEWS NN TACRC TO DEPARTMENT.

E. DRAFT CHARTER AGREEMENT - BRITISH SAID ECAC WORKING GROUP HAD COMPLETED DRAFT OF A MULTILATERAL CHARTER AGREEMENT. DRAFT AGREEMENT, WHICH REALLY A STATEMENT OF BASIC CHARTER PRINCIPLES, WOULD BE CONSIDERED AT ECAC PLENARY MEETING IN SEPTEMBER AND, IF APPROVED, WOULD BE TABLED FOR DISCUSSION AT ECAC/CANADA/US TALKS TO BE HELD IN MONTREAL IN OCTOBER.

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PAGE 02 LONDON 09956 02 OF 02 051733Z

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